

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Clam Union Township	County Missaukee
Fiscal Year End March 31, 2008	Opinion Date May 6, 2008	Date Audit Report Submitted to State August 4, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	SAS 112 Letter and SAS 114 Letter	
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number (231) 775-9789	
Street Address 134 W. Harris Street		City Cadillac	State MI
Zip 49601		License Number 1101023146	
Authorizing CPA Signature 		Printed Name Michael D. Cool, C.P.A.	

**CLAM UNION TOWNSHIP, MISSAUKEE COUNTY**

**FALMOUTH, MICHIGAN**

**MARCH 31, 2008**

***Baird, Cotter and Bishop, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MARCH 31, 2008

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# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

PHONE: 231-775-9789 FAX: 231-775-9749

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May 6, 2008

### INDEPENDENT AUDITORS' REPORT

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township, Missaukee County, Falmouth, Michigan as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clam Union Township, Missaukee County, Falmouth, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

Clam Union Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Clam Union Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2008, along with specific comparative information.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$488,139. Of this amount, \$103,824 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$239,203, an increase of \$20,350 in comparison with the prior year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government and administration, public safety, public works, and other functions. The Township does not have any business-type activities.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$488,139 at March 31, 2008, meaning the Township’s assets were greater than its liabilities by this amount.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Clam Union Township**  
**Net Assets as of March 31,**

	<b><u>2008</u></b>	<b><u>2007</u></b>
<b>Assets</b>		
Current Assets	\$ 248,726	\$ 230,743
Non Current Assets		
Capital Assets	629,404	623,042
Less: Accumulated Depreciation	<u>(364,340)</u>	<u>(318,730)</u>
 Total Non Current Assets	 <u>265,064</u>	 <u>304,312</u>
 <b>Total Assets</b>	 <b><u><u>\$ 513,790</u></u></b>	 <b><u><u>\$ 535,055</u></u></b>
 <b>Liabilities</b>		
Current Liabilities	\$ 25,651	\$ 32,726
Non-Current Liabilities	<u>0</u>	<u>16,128</u>
 <b>Total Liabilities</b>	 <u>25,651</u>	 <u>48,854</u>
 <b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt	248,936	267,348
Restricted for Specific Purposes	135,379	113,945
Unrestricted	<u>103,824</u>	<u>104,908</u>
 <b>Total Net Assets</b>	 <u>488,139</u>	 <u>486,201</u>
 <b>Total Liabilities and Net Assets</b>	 <b><u><u>\$ 513,790</u></u></b>	 <b><u><u>\$ 535,055</u></u></b>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$103,824 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole.



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

The total Net Assets of the Township increased by \$1,938 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

**Clam Union Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31,**

	<u>2008</u>	<u>2007</u>
<b><u>Revenues</u></b>		
<b>Program Revenues</b>		
Charges for Services	\$ 26,865	\$ 23,703
Operating Grants and Contributions	9,227	11,209
Capital Grants and Contributions	0	6,779
<b>General Revenues</b>		
Taxes	118,490	111,471
State Grants	60,402	60,694
Investment Earnings	2,145	2,093
Other	<u>1,664</u>	<u>10,883</u>
<b>Total Revenues</b>	<u>218,793</u>	<u>226,832</u>
<b><u>Expenses</u></b>		
Legislative	18,422	16,020
General Government	95,455	75,745
Public Safety	60,329	59,514
Public Works	10,982	4,194
Recreational and Cultural	17,453	30,256
Other Functions	<u>14,214</u>	<u>15,027</u>
<b>Total Expenses</b>	<u>216,855</u>	<u>200,756</u>
Change in Net Assets	1,938	26,076
NET ASSETS - Beginning of Year	<u>486,201</u>	<u>460,125</u>
NET ASSETS - End of Year	<u><u>\$ 488,139</u></u>	<u><u>\$ 486,201</u></u>

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Governmental Activities**

During the fiscal year ended March 31, 2008, the Township's net assets increased by \$1,938 in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Clam Union Township comes from property taxes. The Township levied 1.4683 mills for operating purposes, 0.9788 mills for road maintenance, 0.9977 mills for fire protection, and 0.2647 mills for the library.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general government expenses that total 44% of total expenses. The Township spent \$95,455 in fiscal year 2008 on General Administrative expenses. Public safety represented the next largest expense at \$60,329, or 27.8% of total expenses.

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Clam Union Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Clam Union Township's governmental funds reported combined ending fund balances of \$239,203. Approximately 43.4%, or \$103,824 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$2,790 which brings the fund balance to \$120,497. At the end of the current fiscal year, unreserved fund balance of the general fund and the total fund balance were \$104,228 and \$120,497 respectively. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Taxes amounted to \$54,080. State grant revenues were collected in the amount of \$60,402.

**Road Fund** – The Road Fund increased its fund balance by \$19,058 which brings the fund balance to \$91,499. This balance is reserved and must be used for road improvements. Property taxes collected amounted to \$28,131.

**Library Fund** – The Library Fund decreased its fund balance by \$2,866 which brings the fund balance to a deficit of \$404. This balance is unreserved due to the deficit balance. Property taxes collected amounted to \$7,604.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Fire Fund** – The Fire Fund increased its fund balance by \$1,368 which brings the fund balance to \$27,611. This balance is reserved and must be used for fire protection and fire equipment. Property taxes collected amounted to \$28,675.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2008, amounted to \$265,064 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

**Clam Union Township**  
**Capital Assets as of March 31, 2008**

	2008	2007
Land and Land Improvements	\$ 69,727	\$ 69,727
Buildings and Building Improvements	232,043	225,681
Infrastructure	38,176	38,176
Machinery and Equipment	289,458	289,458
	<hr/> 629,404	<hr/> 623,042
Less Accumulated Depreciation	364,340	318,730
	<hr/>	<hr/>
<b>Net Capital Assets</b>	<b>\$ 265,064</b>	<b>\$ 304,312</b>
	<hr/>	<hr/>

The Township built a new roof for the building in the cemetery during the fiscal year.

**Long-Term Debt.** At the end of the current fiscal year, the Township had total installment debt outstanding of \$16,128 for the purchase of a fire truck. Additional information on the Township's long-term debt can be found in the notes to the financial statements.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2008-09 fiscal year.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2008

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Clam Union Township at P.O. Box 28, Falmouth, Michigan 49632.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2008

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 95,818
Taxes Receivable	5,714
Due from External Parties (Fiduciary Fund)	112,386
Due from Other Governments	34,808
	<hr/>
Total Current Assets	248,726
	<hr/>
<u>CAPITAL ASSETS</u>	
Land and Land Improvements	69,727
Buildings and Building Improvements	232,043
Infrastructure	38,176
Machinery and Equipment	289,458
	<hr/>
	629,404
Less Accumulated Depreciation	364,340
Net Capital Assets	265,064
	<hr/>
TOTAL ASSETS	513,790
	<hr/>
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	8,332
Payroll Taxes and Withholdings	1,191
Current Portion of Non-Current Liabilities	16,128
	<hr/>
Total Current Liabilities	25,651
	<hr/>
<u>NON-CURRENT LIABILITIES</u>	
Note Payable	16,128
Less Current Portion	(16,128)
	<hr/>
Total Non-Current Liabilities	0
	<hr/>
TOTAL LIABILITIES	25,651
	<hr/>
<u>NET ASSETS</u>	
Invested in Capital Assets Net of Related Debt	248,936
Restricted for Specific Purposes	135,379
Unrestricted	103,824
	<hr/>
TOTAL NET ASSETS	\$ 488,139
	<hr/>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
					TOTALS
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 18,422	\$ 0	\$ 0	\$ 0	\$ (18,422)
General Government	95,455	6,220	3,002	0	(86,233)
Public Safety	60,329	20,645	0	0	(39,684)
Public Works	10,982	0	3,470	0	(7,512)
Recreation and Cultural	17,453	0	2,755	0	(14,698)
Other Functions	14,214	0	0	0	(14,214)
Total Governmental Activities	<u>\$ 216,855</u>	<u>\$ 26,865</u>	<u>\$ 9,227</u>	<u>\$ 0</u>	<u>(180,763)</u>
<u>GENERAL REVENUES</u>					
Taxes					118,490
State Grants					60,402
Investment Earnings					2,145
Other					1,664
Total General Revenues					<u>182,701</u>
Change in Net Assets					1,938
<u>NET ASSETS</u> - Beginning of Year					<u>486,201</u>
<u>NET ASSETS</u> - End of Year					<u>\$ 488,139</u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2008

	GENERAL FUND	ROAD FUND	FIRE FUND	LIBRARY FUND	TOTALS
<u>ASSETS</u>					
Cash	\$ 58,863	\$ 63,367	\$ (20,290)	\$ (6,122)	\$ 95,818
Due from Other Governments	15,150	0	19,658	0	34,808
Due from Other Funds	51,427	26,624	27,138	7,197	112,386
Taxes Receivable	2,262	1,508	1,537	407	5,714
Total Assets	<u>\$ 127,702</u>	<u>\$ 91,499</u>	<u>\$ 28,043</u>	<u>\$ 1,482</u>	<u>\$ 248,726</u>
 <u>LIABILITIES AND FUND BALANCE</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$ 6,014	\$ 0	\$ 432	\$ 1,886	\$ 8,332
Payroll Taxes and Withholdings	1,191	0	0	0	1,191
Total Liabilities	<u>7,205</u>	<u>0</u>	<u>432</u>	<u>1,886</u>	<u>9,523</u>
 <u>FUND BALANCE</u>					
Reserved for:					
Telecommunications Right-of-Way	16,269	0	0	0	16,269
Road Improvements	0	91,499	0	0	91,499
Fire Protection	0	0	27,611	0	27,611
Unreserved:					
Undesignated (Deficit)	104,228	0	0	(404)	103,824
Total Fund Balance (Deficit)	<u>120,497</u>	<u>91,499</u>	<u>27,611</u>	<u>(404)</u>	<u>239,203</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 127,702</u>	<u>\$ 91,499</u>	<u>\$ 28,043</u>	<u>\$ 1,482</u>	<u>\$ 248,726</u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008

Total Fund Balances for Governmental Funds	\$ 239,203
--------------------------------------------	------------

Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	69,727	
Buildings and Building Improvements	232,043	
Infrastructure	38,176	
Machinery and Equipment	289,458	
Accumulated Depreciation	<u>(364,340)</u>	265,064

Long term liabilities are not due and payable in the current period and  
are not reported in the funds

Note Payable	<u>(16,128)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 488,139</u></u>
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The accompanying notes are an integral part of the financial statements.



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY

FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	ROAD FUND	FIRE FUND	LIBRARY FUND	TOTALS
<u>REVENUES</u>					
Taxes	\$ 54,080	\$ 28,131	\$ 28,675	\$ 7,604	\$ 118,490
State Grants	63,872	0	0	2,755	66,627
Contributions from Local Units	0	0	20,145	0	20,145
Charges for Services	3,205	0	500	0	3,705
Interest and Rents	5,044	0	0	116	5,160
Other Revenue	4,602	0	0	64	4,666
Total Revenues	130,803	28,131	49,320	10,539	218,793
<u>EXPENDITURES</u>					
Legislative	18,422	0	0	0	18,422
General Government	91,329	0	0	0	91,329
Public Safety	0	0	47,952	0	47,952
Public Works	0	9,073	0	0	9,073
Recreation and Cultural	4,048	0	0	13,405	17,453
Other Functions	14,214	0	0	0	14,214
Total Expenditures	128,013	9,073	47,952	13,405	198,443
Net Change in Fund Balance	2,790	19,058	1,368	(2,866)	20,350
<u>FUND BALANCE</u> - Beginning of Year	117,707	72,441	26,243	2,462	218,853
<u>FUND BALANCE</u> - End of Year (Deficit)	\$ 120,497	\$ 91,499	\$ 27,611	\$ (404)	\$ 239,203

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2008

Net Change in Fund Balance - Total Governmental Funds	\$ 20,350
-------------------------------------------------------	-----------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Capital Outlay	6,362
Depreciation Expense	(45,610)

Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).	<u>20,836</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,938</u></u>
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The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MARCH 31, 2008

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$ 148,562
Due from Other Organizations and Individuals	<u>3,737</u>
TOTAL ASSETS	<u><u>\$ 152,299</u></u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 112,386
Due to Other Governmental Units	<u>39,913</u>
TOTAL LIABILITIES	<u><u>\$ 152,299</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Clam Union Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Clam Union Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

The *Library Fund* accounts for revenue sources that are legally restricted to expenditures for the Library.

Additionally Clam Union Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Equity**

### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township authorized the Township Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II).
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54 Stat 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
  - (i) The purchase of securities on a when-issued or delayed delivery basis.
  - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
  - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) In investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.11 to 129.118.
- (j) In the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- (II) A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (III) Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).
- (IV) As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2007 taxable valuation of Clam Union Township totaled \$28,745,776, on which ad valorem taxes levied consisted of 1.4683 mills for Clam Union Township operating purposes, 0.9788 mills for road maintenance, 0.9977 mills for fire protection, and 0.2647 mills for the library. The levies raised \$42,203 for operating purposes, \$ 28,131 for road maintenance, \$28,675 for fire protection, and \$7,604 for the library.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building and land improvements	20
Public domain infrastructure	20
Vehicles	5
Equipment	5-10

**5. *Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**6. *Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**7. *Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 31, 2007, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**B. Funds with expenditures in excess of appropriations were as follows:**

	<u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>
Special Revenue Funds		
Fire Fund	\$	\$
Fire	43,850	47,952
Library Fund		
Library	12,050	13,405

These overages were funded by excess revenues and available fund balance.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are on deposit with Citizens Bank and Fifth Third Bank.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2008, \$48,262 of the government's bank balance of \$251,705 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Road	Fire	Library	Total
Receivables					
Taxes	\$ 2,262	\$ 1,508	\$ 1,537	\$ 407	\$ 5,714
Due from Other Governments	15,150	0	19,658	0	34,808
Total	<u>\$ 17,412</u>	<u>\$ 1,508</u>	<u>\$ 21,195</u>	<u>\$ 407</u>	<u>\$ 40,522</u>

The allowance for doubtful accounts is not considered to be material for disclosure.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 16,500	\$ 0	\$ 0	16,500
Capital assets, being depreciated				
Buildings and Building Improvements	225,681	6,362	0	232,043
Land Improvements	53,227	0	0	53,227
Infrastructure	38,176	0	0	38,176
Machinery and Equipment	289,458	0	0	289,458
Total capital assets, being depreciated	606,542	6,362	0	612,904
Less accumulated depreciation for:				
Buildings and Building Improvements	71,183	8,290	0	79,473
Land Improvements	15,906	1,659	0	17,565
Infrastructure	477	1,909	0	2,386
Machinery Equipment	231,164	33,752	0	264,916
Total accumulated depreciation	318,730	45,610	0	364,340
Total capital assets, being depreciated, net	287,812	(39,248)	0	248,564
Governmental activities capital assets, net	\$ 304,312	\$ (39,248)	\$ 0	\$ 265,064

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 10,488
Public Safety	33,213
Public Works	1,909
Total Depreciation Expense	<u>\$ 45,610</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2008.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2008, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 51,427	\$ 0
Special Revenue Funds		
Road Fund	26,624	0
Fire Fund	27,138	0
Library Fund	7,197	0
Fiduciary Funds		
Current Tax Collection Fund	0	112,386
	<u>\$ 112,386</u>	<u>\$ 112,386</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

No interfund transfers occurred during the fiscal year ended March 31, 2008.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**E. Long-Term Debt**

The following is a summary of the long-term transactions of the Township for the year ended March 31, 2008.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

	<u>INSTALLMENT NOTE</u>
Long-Term Debt Payable	
At April 1, 2007	\$ 36,964
New Debt Incurred	0
Payments on Debt	<u>(20,836)</u>
LONG-TERM DEBT PAYABLE AT MARCH 31, 2008	<u>\$ 16,128</u>
Amount due within one year	<u>\$ 16,128</u>

<u>YEAR ENDING MARCH 31,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	<u>\$ 16,128</u>	<u>\$ 275</u>	<u>\$ 16,403</u>

Installment Notes:

\$100,000 2003 Fire Truck note due in quarterly installments of \$5,457 through December 15, 2008; interest at 3.39%	<u>\$ 16,128</u>
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**F. Fund Balance Reserves**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

FUND BALANCE

Reserved

General Fund

Telecommunications Right-of-Way	\$ 16,269
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Special Revenue Funds

Road Fund

Road Improvements	91,499
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Fire Fund

Fire Protection	<u>27,611</u>
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TOTAL FUND BALANCE RESERVES	<u>\$ 135,379</u>
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CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2008

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement Plan**

The Township has a defined contribution pension plan with John Hancock which covers all elected officials, Deputy Clerk, Deputy Treasurer, and Deputy Supervisor. An employee's normal retirement date is age 65 or the 10<sup>th</sup> anniversary of the first day of the plan year in which participation in the plan is commenced.

Township contributions to the plan for 2007-2008 amounted to \$6,811 including administration fees of \$2,258. Total covered payroll amounted to \$30,350 and total wages including non-covered payroll was \$76,441.

**C. Property Tax Administration Fee**

The Township passed a resolution on August 9, 1983, to charge 1% administration fee on all ad valorem taxes levied. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in these statements.

**D. Land Lease**

Operating Lease – The Township land on which the Internet tower resides is leased at \$2,100 per year on a year-to-year basis.

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2008

	GENERAL FUND			ROAD FUND			FIRE FUND			LIBRARY FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>												
Taxes	\$ 47,700	\$ 47,700	\$ 54,080	\$ 25,300	\$ 25,300	\$ 28,131	\$ 25,400	\$ 25,400	\$ 28,675	\$ 7,100	\$ 7,100	\$ 7,604
State Grants	50,200	50,200	63,872	0	0	0	100	100	0	4,000	4,000	2,755
Contributions From Local Units	0	0	0	0	0	0	17,100	17,100	20,145	0	0	0
Charges for Services	500	500	3,205	0	0	0	1,400	1,400	500	0	0	0
Interest and Rents	650	650	5,044	0	0	0	0	0	0	100	100	116
Other Revenues	6,500	6,500	4,602	0	0	0	0	0	0	0	0	64
Total Revenues	105,550	105,550	130,803	25,300	25,300	28,131	44,000	44,000	49,320	11,200	11,200	10,539
<u>EXPENDITURES</u>												
Legislative												
Township Board	38,800	26,800	18,422	0	0	0	0	0	0	0	0	0
General Government												
Supervisor	11,880	11,880	11,875	0	0	0	0	0	0	0	0	0
Clerk	13,790	13,790	10,909	0	0	0	0	0	0	0	0	0
Board of Review	1,725	1,725	950	0	0	0	0	0	0	0	0	0
Treasurer	16,950	16,950	15,011	0	0	0	0	0	0	0	0	0
Assessor	15,750	27,750	25,502	0	0	0	0	0	0	0	0	0
Elections	6,500	6,500	1,013	0	0	0	0	0	0	0	0	0
Building and Grounds	29,400	29,400	12,433	0	0	0	0	0	0	0	0	0
Cemetery	8,800	13,800	13,636	0	0	0	0	0	0	0	0	0
Public Safety												
Fire	0	0	0	0	0	0	43,850	43,850	47,952	0	0	0
Public Works												
Highways, Streets, Bridges	0	0	0	15,000	15,000	9,073	0	0	0	0	0	0
Recreation and Cultural												
Parks and Recreation	11,500	11,500	4,048	0	0	0	0	0	0	0	0	0
Library	0	0	0	0	0	0	0	0	0	12,050	12,050	13,405
Other Functions												
Insurance and Bonds	12,800	12,800	6,127	0	0	0	0	0	0	0	0	0
Employee Benefits	14,600	14,600	8,087	0	0	0	0	0	0	0	0	0
Total Expenditures	182,495	187,495	128,013	15,000	15,000	9,073	43,850	43,850	47,952	12,050	12,050	13,405
Net Change in Fund Balance	(76,945)	(81,945)	2,790	10,300	10,300	19,058	150	150	1,368	(850)	(850)	(2,866)
<u>FUND BALANCE - Beginning of Year</u>	117,707	117,707	117,707	72,441	72,441	72,441	26,243	26,243	26,243	2,462	2,462	2,462
<u>FUND BALANCE - End of Year</u>	\$ 40,762	\$ 35,762	\$ 120,497	\$ 82,741	\$ 82,741	\$ 91,499	\$ 26,393	\$ 26,393	\$ 27,611	\$ 1,612	\$ 1,612	\$ (404)



CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2008

	BALANCE			BALANCE		
	4/1/2007	ADDITIONS	DEDUCTIONS	3/31/2008		
<u>ASSETS</u>						
Cash	\$ 2,005	\$ 883,607	\$ 737,050	\$ 148,562		
Due from Other Organizations and Individuals	0	3,737	0	3,737		
	<u>\$ 2,005</u>	<u>\$ 887,344</u>	<u>\$ 737,050</u>	<u>\$ 152,299</u>		
<u>LIABILITIES</u>						
Due to Other Funds	\$ 2,005	\$ 112,390	\$ 2,009	\$ 112,386		
Due to Other Governmental Units	0	771,703	731,790	39,913		
Due to Other Organizations and Individuals	0	3,251	3,251	0		
TOTAL LIABILITIES	<u>\$ 2,005</u>	<u>\$ 887,344</u>	<u>\$ 737,050</u>	<u>\$ 152,299</u>		

CLAM UNION TOWNSHIP, MISSAUKEE COUNTY  
FALMOUTH, MICHIGAN

STATEMENT OF 2007 TAX ROLL  
MARCH 31, 2008

TAXES ASSESSED

County	\$ 204,464	
County - State Education Tax	172,471	
Township		
Operating	42,203	
Roads	28,131	
Fire	28,675	
Library	7,604	
Schools		
McBain Rural Agricultural School	263,660	
Intermediate Schools		
Wexford-Missaukee	<u>170,792</u>	\$ 918,000

TAXES COLLECTED

County	195,220	
County - State Education Tax	165,325	
Township		
Operating	39,941	
Roads	26,623	
Fire	27,138	
Library	7,197	
Schools		
McBain Rural Agricultural School	252,071	
Intermediate Schools		
Wexford-Missaukee	<u>161,639</u>	<u>875,154</u>

TAXES RETURNED DELINQUENT

County	9,244	
County - State Education Tax	7,146	
Township		
Operating	2,262	
Roads	1,508	
Fire	1,537	
Library	407	
Schools		
McBain Rural Agricultural School	11,589	
Intermediate Schools		
Wexford-Missaukee	<u>9,153</u>	<u>\$ 42,846</u>

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
www.bcbcpa.com

May 6, 2008

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Clam Union Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Clam Union Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

### 1) Lack of Segregation of Duties

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

2) Lack of Adequate Controls to Produce Full Disclosure GAAP Basis Financial Statements.

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

3) Lack of Adequate Controls to Timely Record, Process, and Summarize Accounting Data

Management is responsible for ensuring that a reliable system exists for recording, processing, and summarizing accounting data.

The Clerk and Treasurer of the Township have requirements imposed by the State of Michigan to ensure transactions are recorded, processed, and summarized timely in a manner prescribed by the Michigan Department of Treasury. During the year this process was not functioning properly.

This condition was caused by data input into the recordkeeping system in an incorrect and untimely manner. Also, lack of reconciliation between the Clerk and Treasurer helped to further the problems. Additionally, certain transactions were processed during the year without proper documentation or approval.

The Township is aware of these problems and is in the process of trying to implement procedures to correct or mitigate these problems in the future.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the deficiencies described in (1) and (3) above (Lack of Segregation of Duties and Lack of Adequate Controls to Timely Record, Process, and Summarize Accounting Data) constitute material weaknesses.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

# *Baird, Cotter and Bishop, P.C.*

## **CERTIFIED PUBLIC ACCOUNTANTS**

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601  
PHONE: 231-775-9789 FAX: 231-775-9749  
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May 6, 2008

### COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Township Board  
Clam Union Township  
Missaukee County  
Falmouth, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clam Union Township for the year ended March 31, 2008, and have issued our report thereon dated May 6, 2008. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Clam Union Township are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-08. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. No material misstatements were noted. We proposed several adjusting journal entries that were accepted and recorded by management.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 6, 2008.

### *Other Audit Findings or Issues*

During the course of our audit of the basic financial statements of Clam Union Township for the year ended March 31, 2008, we noted the following list of items which we feel deserve comment:

#### Capitalization Policy

The Township should officially adopt and record in the minutes its' Capitalization Policy of \$5,000. We have provided an appropriate sample policy for the Board to consider for adoption.

#### Budgeting

Total expenditures in the Library Fund and Fire Fund exceeded the total budgeted expenditures. The budget should always be amended prior to incurring the expenditures in excess of budgeted amounts. All amendments should be approved by the Township Board and be recorded in the minutes.

#### Property Tax Administration Fee

The Township has determined that authorized costs of collecting taxes will be repeatedly in excess of revenue generated by the administration fee, but has not formally taken action to write off this loss. We recommend that the Township maintain subsidiary records which

reflect property tax administration fee collections and costs, and that the Board passes a motion each year to write off the loss.

#### Internal Control

While testing we observed a couple of canceled checks that did not have two signatures. The State of Michigan requires all checks written have two signatures, except for the Tax Collection Fund

#### Unpaid Property Taxes

We noticed that a small number of taxpayers did not pay all of their property taxes before settlement with the county but were not turned over to the county as delinquent. The Township must immediately contact the county and report these unpaid taxes as delinquent. In the future all delinquent property taxes must be reported to the county upon settlement.

#### Reconciliation of Clerk and Treasurer Records

The Michigan Department of Treasury Uniform Accounting Procedures Manual requires the Clerk to reconcile the Clerk's records to the Treasurer's records on a monthly basis. It does not appear that the Township is currently following this procedure in a timely manner.

#### Fire Contract Amounts Due from Other Governments

The Township provides fire protection for various local units of government. Currently some of those units have not paid the Township for the protection provided. We recommend the Township immediately collect all amounts due to the Township from these local units.

#### Billing for Fire Runs

We recommend that the Township design a system for reconciling fire runs to billings and collections or write-off of fire runs. Currently no system exists to reconcile these items so it is not known if the Township is billing and collecting the proper amount for fire runs.

#### Official Minute Book

We recommend that the Clerk maintain a printed out, signed copy of the official approved minutes of Township meetings.

#### Timely Disbursement of Property Tax Collections

We noticed that disbursement of property tax collections was not always made timely in accordance with the Michigan Department of Treasury rules. We recommend the Township do so in the future.



### Deficit Fund Balance – Library Fund

The Township's Library Fund ended the year with a deficit of \$404 due to the recording of accounts payable.

### Missing Invoices

During the course of our audit, we found checks written that we could not locate an invoice for. The amounts and types of expenditures seemed reasonable, and the invoices may have been misfiled, but there is no way to know for sure. We recommend the Township do a better job of maintaining custody over source documents and make sure all invoices are present and reviewed before approving payment.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*